

OPENING STATEMENT BY MEDICAL SERVICES ADMINISTRATION BEFORE
SENATE HEALTH POLICY COMMITTEE AND DCH APPROPRIATIONS SUBCOMMITTEE
August 24, 2010

In FY2002, the Michigan Medicaid program served 1.2 million beneficiaries at a cost to the state general fund of \$2.2 billion. In FY2010, the Michigan Medicaid program will serve well over 1.8 million beneficiaries at a state general fund cost of \$1.7 billion. Simply put, in FY2010 the program will serve 50% more individuals at a state cost that is 23% lower than in FY2002. Notably health care inflation was above 50% in that time period. Roughly two-thirds of Michigan's beneficiaries receive their health care services through an HMO system where nearly all are ranked in the top 50 in the U.S.

One could hardly imagine this record given the reports about the OAG's Single Audit of Medicaid and DCH. In the last month, the Medicaid program has been accused of "out-of-control government spending, fraud, abuse, negligence, physical assault, mismanagement, neglect, and malfeasance" based on the audit. Further, it has been asserted that the State Of Michigan's budget woes could be resolved with over \$4 billion in questionable spending.

We are here to set the record straight. The Single Audit has no findings of fraud. There is no malfeasance. There aren't billions of dollars or even millions of dollars being wasted and therefore the solution to the current budget deficit. DCH disagreed with the auditors conclusions on the major financial findings and there the OAG conceded in its report that "DCH could obtain additional documentation that would reduce the amount of known and likely questioned costs...the financial risk to the State is indeterminable."

It is unfortunate that this audit report conveys information in such a way that it is so misleading and subject to such distortions. There are a number of examples and we will describe one. Finding 26 cites the program for not reviewing 124 of 182 criteria contained within the HMO fraud and abuse monitoring tool. It makes no mention of the fact that CMS has commended Medicaid for the development of this tool as a "Noteworthy Practice". It fails to mention CMS' very positive onsite management review of Michigan's administration of its managed care program. It fails to mention that there is no federal, state, or internal requirement that all criteria be reviewed every year and the reasons for only reviewing a subset of the criteria were explained. In short, the audit finding is so narrowly framed that the only possible impression is of loose administration at best and mismanagement at worst. The truth is that Michigan is a national leader in the administration of a Medicaid HMO system.

The realities of this audit are hardly earthshaking. There are issues where DCH agrees that the OAG has identified significant issues and is committed to fixing those problems. These problems are primarily related to documentation, recordkeeping, and the implementation of new automated systems. They are not to be minimized but they are not fraud, abuse, malfeasance, or anything of the type. There are issues where DCH acknowledges the OAG's critique but disagrees with the potential impact and whether staff activity should be a priority. There are issues where DCH disagrees with the OAG, sometimes vigorously. We will continue to work to improve administration of the program but we are building on a record of success.